Two Forms of Money Capital in the Current Crisis

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The current crisis is called 'financial' because it originated in the volatile movement of high-risk financial instruments that since the 1980s have come to dominate the Western economies. Upon the collapse in 2007-08 of the house of cards created with ever-more flimsy paper titles, 'financial crisis' was therefore an appropriate term for what was happening. Yet as always, a crisis caused by any particular moment in the cycle of capital accumulation ultimately reveals an underlying limit to accumulation per se, which is the exhaustion of the social and natural base (Funke 1978)..

My argument in this paper is that among many other struggles involved in and resulting from this crisis, one that has been pointed at repeatedly is the role of free-floating money capital unrelated to the 'real economy'. Terms like 'parasitic', predatory' etc., are used to denounce the world of hedge funds, derivatives, and other exotic practices. The silent assumption is always that if only the real economy could be liberated from the preying vultures of high finance, and kick-started again, we might move back to conditions as prevailed in the post-war years in the Atlantic economy. This is obviously impossible—the class compromise on which corporate liberalism (Keynesianism-Fordism, the welfare/warfare state) rested, only came about after two murderous world wars and the creation of a state-socialist bloc born in the October revolution. Only then the capitalist classes were sufficiently weakened, materially and morally, to yield to popular pressures for compromise. Today these classes are firmly in power.

The Cycle of Industrial Capital

Capital accumulation is the process by which the exploitation of living labour power in production (and transport) is organised through the intersection of the movement of goods and services (including services provided in money form), investment properly speaking (the process in which money becomes capital), and the expansion of the productive base in value terms.

Marx in *Capital* analysed this process in three steps. First, in Vol. I (Marx 1965, vol. xxiii), he looks at the process from the angle of capital-in-general appropriating surplus value (the differential between the value of the sold product and the value of labour power). Every single capital, under the compulsion of competition, must increase this differential to remain in business. The only limit recognised here is the process of original dispossession of direct producers, 'so-called original accumulation'. A further step down the ladder of abstraction is taken in volume II (1965, vol. xxiv), by recognising that next to capital 'fixed' in production, there must also be capital in circulation to allow successive rounds of accumulation to take place on an expanded scale. In each round of accumulation, separate circuits of capital in a particular form come together and metamorphose into each other. First,

- money capital, M, 'interest-bearing capital', i.e., credit for productive, value-creating investment, denoted as M…P ...M' (the accent indicates the realised value increment obtained in production or transport, 'P');
- commodity capital, C (non-value-adding trade in goods and services, denoted as C…(M) …C, but necessary to allow the purchase of the elements for value creation and the realisation of products containing new value.

Importantly this includes money-market and brokerage activities ('money-dealing capital') which I denote as $C^M \ldots C^M$; finally,

- productive capital (value-adding activities of production and transport), denoted as P ….P' (the accent indicating the expanded scale of production in the next cycle).

As functional preconditions for the others to be operational, these forms mutate into each other endlessly, both at the macro-level and at the level of each particular capital. But from the perspective of entrepreneurs specialising in handling each of them, the accumulation cycle is disaggregated into the separate circuits, M…. M' , etc. Hence these different categories of capitalists ('fractions of capital') tend to adopt a different view of the process as a whole. In particular, the angle from which they perceive the exploitation of labour in production and transport—directly or via commercial advantage, varies for each fraction.

Thus trade (both in goods and in services including 'financial services', $C^M \ldots C^M$) passes via capital in money form, M (or else it would be barter), but there is no value increment. Of course commercial capital shares in the distribution of profit via the price system, otherwise it would not take place. Yet from the dependence on commercial profit through price fluctuations follows that a trader will perceive the general class interest of capital from a different vantage point compared to those concerned with real accumulation. In the current crisis, ubiquitous money trade has come to dominate the capitalist cycle as a whole, to the point where corporations as such are being traded as commodities irrespective of any real accumulation, this must be kept in mind as our central supposition.

In *Capital*, vol. III, a further concretization is introduced by identifying money capital as the form of capital-in-general, *social capital*, in the sense that it operates as 'a concentrated, organized mass, which, entirely unlike real production, is subject to the control of bankers representing social capital' (Marx 1965, vol. xxv: 382). This can also be called 'fictitious capital' because it totalises the property titles as if they were not tied to actually existing credit relations, commercial activities, or ongoing production (capital as if abstracted from social relations). Production on the other hand is necessarily embedded in society and nature, through what David Harvey calls (2006: 399), 'human resource complexes… to which capital must, to some degree, adapt'. Once a particular capital has been attached to a human resource complex, its managers will tend to be concerned with productivity, the availability of inputs, and, via commercial capital or directly, sales. Profitability from real value production (in contrast to merely commercial profit) thus depends on the spatio-temporally specific availability of a human and natural resource complex. The particular fraction of capital associated with it will therefore not as easily resort to short-term labour arbitrage as for instance commercial capital would.

The above implies that money capital in the sense of 'bankers representing social capital' constitutes the wellspring of capitalist market discipline, imposed on individual, 'particular capitals' via competition. Particular capitals (like corporations) then pass on market discipline (including labour market discipline) through work discipline (Milios and Sotiropoulos 2009: 82-3 & passim). Commercial capital on the other hand operates in the interstices of the cycle, chasing profit opportunities that arise from price differentials. Today, the money-market perspective of traders in big banks and treasurers of large corporations, relying on ever-more intricate financial innovations, tends to play havoc with the concerns of money capital (as social capital oriented to real production). *The key fault-line, therefore, is between money capital and money-dealing commercial capital*. The debasement of the US dollar from gold or any other monetary standard in 1971 has allowed the banker-controlled supply of money by to balloon to unprecedented proportions. In the process, money-dealing capital, the circuit of $C^{M} \ldots C^{M}$, has been allowed to subdue actual money capital (M…M’) to its requirements almost entirely, especially from the 1980s.

The Political Form of Money-Dealing Hegemony

In the crisis of the 1930s capital was compelled to adapt to the human resource complexes of the main capitalist countries. It had to concede a measure of control of the economy to the forces associated with ‘embedded production’, shattering the central myth of the gold standard along with its practical abandonment. This inaugurated an era of compromise with the managerial cadre—managers of industrial corporations, but also the cadre and the state governing classes negotiating with them on behalf of organised labour, farmers, and other social forces. In the United States in Roosevelt’s New Deal this transformation achieved its specific corporate liberal format centred on a dynamic, productivity-pegged class compromise in Fordist mass production (Duménil and Lévy 2004: 30-1; Ferguson 1995; Rupert 1995)

Since the crisis had been triggered by the stock market crash of 1929 and the collapse of the international circuit of money-dealing capital, the New Deal centrally included, under the Glass-Steagall Act of 1933, the separation of US investment banking (money and precious metals trade, stock and bond brokerage, and syndicated loan provision) from deposit banking. In terms of our circuits, money-dealing capital ($C^{M} \ldots C^{M}$) and the class fraction it catered to (the ‘rentiers’), thus were subjected to repression and money capital in the proper sense as a moment in the actual accumulation cycle (M….M’) protected from its vacillations in order to serve the investment and operational needs of large-scale production. The transition was dramatised by Keynes’ famous call in his *General Theory* of 1936 for a ‘euthanasia of the rentier’, the ‘functionless investor’ (Keynes 1970: 376). Keynes reassured his readers that this transition would need no revolution, but its occurrence in the aftermath of World War I and the Russian Revolution, and the imminence of another, even more murderous world war, are a reminder of the social and political dislocations he sought to navigate.

The need to ‘embed’ social capital in the human resource complexes diminished as the circuit of money capital (both interest-bearing money-capital tied to value creation and money-dealing capital) assumed a global sweep after the uncoupling the dollar from gold in 1971, the introduction of flexible exchange rates between 1971 and ’73, and the recycling of petrodollars through the London ‘Eurodollar’/‘Eurocapital’ markets (Burn 2006). Like all inflationary episodes in history, the growth of the mass of dollars in circulation (at a rate of more than 10 percent a year, Parboni 1981: 38 and 81, Table 8) worked as a powerful mechanism of redistribution—domestically, by prolonging corporate liberal compromise after it was no longer supported by productivity hikes or investment; internationally, by financing catch-up modernisation and industrialisation of the Soviet bloc and the Third World members of the Non-Aligned Movement, respectively.

Paul Volcker’s August 1979 intervention as chairman of the Federal Reserve Board slammed the brakes on the expansion of money that fuelled the expansion of the international circuit, on the grounds that corporate profitability had declined from 6.6 percent in the 1960s to 3.8 percent in the next decade (Greider 1989: 75, 101; *Newsweek*, 16 June 1987). Thus he sought to bring the interests of internationally operating bank capital again under the discipline of money capital as social capital, amidst protests of the big US banks which had lent to states now faced with debt service at sharply risen real interest rates (van der Pijl 2006: 188-91). This was part of a broad counteroffensive against the statist trend in the world economy and also entailed restoring the discipline of capital at home.

Hayek and the Mont Pèlerin Society he set up in 1947 had elaborated key principles of a society run entirely on market principles and private property long in advance (the founding conference in 1947 had the 'power of the trade unions' as the first item on the agenda, Cockett 1985: 113-4; cf. Walpen 2004). As a concept of control however, neoliberalism fell into place only after the crisis of corporate liberalism had erupted with full force in the mid-1970s. Gramsci's sequence of class formation—the economic-corporate moment, the broader economic class interest, and the transcendence of one's own interests to include those of others (Gramsci 1971: 181)—like the corporate liberal New Deal before it, originated in the United States. It included,

a) the rise of union-busting new industries and a tax revolt of propertied middle classes against the redistributive state (Davis 1986);. it then broadened,

b) with the help of dedicated organisations such as the Business Roundtable and various right-wing think tanks in the US (Ferguson and Rogers 1986) and a mobilisation of the Paris-based International Chamber of Commerce (with a special role for Rupert Murdoch, van der Pijl 2006: 156, 164); and finally,

c) it became comprehensive on the waves of a post-1968 backlash again civil rights and cultural permissiveness (Berlet 1995), by creating the conditions for asset-owning middle classes to profit from privatising state property and prying open large corporations to the benefit of the recipients of rent, interest, and dividend (and capital gains). In this sense neoliberalism can be characterised as a 'revenge of the rentier' (Morris 1982).

Corporate liberalism crystallised in response to a threatening workers' revolt through a period of global instability; neoliberalism was launched as a capitalist counterrevolution, including an acknowledged shock therapy to achieve its aims. As developed by Hayek and elaborated by his fellow Mont Pèlerin members Ronald Coase and James Buchanan, neoliberal theory 'proposes a two-stage, constitutional-contractarian, approach. Following initial establishment of rights in an admittedly idealized constitutional stage, all subsequent reassignment would be through voluntary exchange' (Randall 1993: 156). The 'admittedly idealized' constitutional phase involves a sharp, if need be violent state intervention (military coups like the ones in Chile and Argentina, or the confrontational policies of Thatcher and Reagan at home and abroad) to demarcate property from non-property, and ensure that all property becomes alienable in a market context (the 'contractarian' phase) without further political interference. After that, all social problems must be addressed by market arrangements on the basis of property rights, so that no externalities (say, pollution) remain that have not been brought under the discipline of capital (Milonakis and Fine 2009: 305; Mirowski 2013: 335-8; Walpen 2004: 154).

Money-Dealing Capital in the Contractarian Phase

The 'Volcker Shock' still aimed to steer the provision of credit to states back to capital. By constraining indebted states to privatise assets in order to avoid default, it widened the sphere of capital accumulation under the auspices of interest-bearing money capital. But by floating state property on stock exchanges, it also fuelled the securities business and brokerage, which comes under the heading of money-dealing capital as a component of the circuit of commodity capital, $C^{M} \ldots C^{M}$ (Milonakis and Fine 2009: 66).

By 1987, when Volcker was succeeded as Chairman of the Federal Reserve by Alan Greenspan of JP Morgan, the attempt to impose capitalist discipline was replaced by a willingness to accept and accommodate 'the irrational exuberance of markets', as Greenspan termed it (cited in Gamble 2009: 1). Peter Gowan captures the shift when he writes that 'trading activity here does not mean long-term investment…in this or that security, but buying and selling financial and real assets to exploit—not least by *generating*—price differences and price shifts' ('speculative arbitrage', Gowan 2009: 9). Already in 1986, radio host James Jorgensen noted that 'today's business of banking and financial services is greatly misunderstood: banking per se is no longer as important as merchandising' (Jorgensen 1986: 86).

The trend transpired in the tripling of derivatives such as futures and options on interest rates, currency and stock market indexes from 1992 to US $12.2 trillion outstanding in 1997; the market for interest rate swaps and options and currency swaps in combination grew from US $5.3 to 28.7 trillion in the same period (Duménil & Lévy 2001: 143; Wildenberg 1990: 44, Fig. 3). The ascendancy of speculative money-dealing is brought out for the United States by the rise in market value of stock market assets relative to GDP from $3.1 trillion in 1990 with GDP at 5.8 trillion) to $ 16.6 trillion in 1999, almost twice GDP (9.3 trillion) (Houben 2004: 48).

At the (positive) receiving end of the shift are the rentiers, recipients of rent, interest and dividend and beneficiaries of capital gains on assets. Whilst 'the rentier share was gradually increasing throughout the 1960's and 1970's' across all Western economies, write Epstein and Power, 'the big acceleration in its rise began around 1979 or 1980'.

> During the period of the Volcker monetary policy of high real interest rates and the Reagan policy of large budget deficits, the rentier share leaped. It declined during the early nineties but then started to increase again, driven mostly by an increase in the share of entrepreneurial income (Epstein and Power 2002).

This fuelled a process of class formation of middle class households, complementary to the restoration of the discipline of capital and the profit rate ((Duménil & Lévy 2004: 35, Fig. 3.3), and at the expense of the bargaining power of organized labour. On the basis of the calculations of Epstein and Power (2002, Table 1), we can establish that compared to the 1960s, there was an across-the-board increase of rentier income shares, led by the United States in absolute terms (38.3 of Gross Domestic Product in the 1980s, 33.5 in the 1990s). The only significant exception in the Atlantic economy was Germany, which still in the 90s, when its eastern half was being incorporated again, stuck to a 7.4 percent rentier income share against percentages of around 20 for the other five founding members of the EEC.

Whilst real capital accumulation on a world scale almost collapsed from an annual growth rate of 12.2 in 1986-90 to 0.6 in 1996-99 (fixed capital formation, Robinson 2004: 25, Table 1.1), junk-bond financiers like Michael Milken made their name in leveraged buy-outs of corporations-turned-commodities, only to break them up and asset-strip them before selling on the remnants, what Laura Horn calls the 'marketisation of corporate control' (Horn 2008). These corporate raiders, soon joined by specialised companies like Kohlberg, Kravis & Roberts (KKR) and Forstmann, Little, are after commercial profit, which depends on buying cheap and selling dear—which KKR perhaps forgot when it paid $25bn for RJR Nabisco in 1992 and got in trouble (Warde 1993: 21; Wildenberg 1990: 89). Until briefly before, KKR, with 19 companies in its portfolio, had assets the equivalent of the then-5th-largest US corporation, General Electric. But these 19 companies no longer need to be represented on each others' boards, because the strategies guiding them are not devised by their managements but by KKR from its short-term money-dealing perspective.

As corporations were increasingly seen, from the commercial perspective of money-dealing capital, as 'money-making machines', they had to concentrate on their share price above all, in order to avoid hostile takeovers and possible asset-stripping. From the perspective of bank capital, 'relationship financing' (financial group formation) gave way to 'transaction-based financing', so that 'the financial-industrial nexus constitutive of finance capital' weakened, too (Carroll 2010: 102). As a result, 'a large part of the financial sector's growth in the last three decades has been mere rent-seeking, figuring out ways to charge much larger fees and returns for performing a service with only modest economic value added' (Hutchinson 2013). Banks' currency and security trading desks were riding high on the money-dealing trend as they engaged in so-called proprietary trading (speculating with the banks' own or borrowed money, not just for clients). Derivatives like swaps and futures are the ideal instruments for creating commercial profits. In the words of Hutchison, a former trader himself,

> In derivatives, … returns are made by manipulating benchmarks, whether simple ones like Libor or complex ones like the "index" credit default swaps that produced a $6 billion loss for JP Morgan Chase in the "whale" debacle and no doubt equivalent profits for many other houses. On trading desks in general, we have heard that traders are making profits by receiving economic and other data a few milliseconds earlier than the market in general—again, a form of insider trading (Hutchinson 2013).

Proprietary trading was pioneered by John Meriwether at Salomon Brothers before he set up his own hedge fund, Long Term Capital Management (LCTM) with two 'Nobel' (Swedish central bank) laureates in economics (Gowan 2009: 8, 8n, cf. below). On the eve of the financial crisis the parallel universe of off-balance-sheet, shadow banking entities like hedge funds (often located in offshore jurisdictions and operating beyond regulatory oversight) had grown to a trading volume twice the size of transactions in the regulated banking system (Chesnais 2011: 71-2; Palan, Murphy, and Chavagneux 2010).

The neoliberal project carried a state signature to cover financial risks from the start. With the US liberalization of investment banking and brokerage in the 1980s, which opened the way for the rentier class compromise, came federal guarantees that led Jorgensen to compare neoliberal finance with 'the bargain-hunting 1920s… except for one big difference: *The risk-takers today are playing with money that's federally insured*' (Jorgensen 1986: 20, emphasis added). It led to a pervasive practice of cutting up all transactions in $100,000 blocks to qualify for depositor protection, however speculative and risky the undertaking. Banks like Citigroup launched advertising campaigns designed to get home owners to take out second mortgages for discretionary spending. Debt on second mortgages in the US 'climbed to over $1 trillion in a decade' (Gowan 2009: 18). On paper, the wealth of asset-owning middle classes increased (in the US) by 64 percent between 2000 and '05, further helped by consumer credit (Desai 2013: 236; Montgomerie 2010). This provided a mass bases and an additional 'revolution of rising expectations' to the neoliberal project.

Federal insurance passed a critical threshold when the aforementioned hedge fund, LTCM, crashed in 1998 but was saved by Greenspan's Fed with $3.6 billion of public money. This 'allowed the financial turmoil to transmute into yet another stock market/housing bubble' (Rude 2008: 211). It revealed that whatever adventures money-dealers might undertake in terms of asset inflation and deflation, the state and Central Bank authorities would come to the rescue to refuel the speculative cycle, suggesting a fundamental alignment of state economic policy on the interests of money-dealing capital. In 2007-08 this new cycle collapsed as well, and the biggest round of insurance payouts began right away.

Indeed the socialisation of bank losses from the 2007-08 credit crash fits into a regular pattern of states covering for the bubbles through which money-dealing capital artificially create windfall profits—whether internationally, as in the East Asian crisis, or within the Atlantic heartland itself. Encouraged by a licence to lower their debt-to-equity ratios in the decade preceding the crash (Panitch and Gindin 2012: 306), the financial institutions were refuelled with public money when the crisis struck. Thus saving the insurance company, AIG, in September 2008 by a $85bn rescue package in exchange for a 80 percent Federal share, included paying out outstanding credit default swaps at face value, with Goldman Sachs receiving between $12.9bn and $20bn according to different sources; Merrill Lynch and its new owner, Bank of America together 12bn, Société Générale (France) and Deutsche Bank 12bn each, Barclays 8.5bn, to name only the largest beneficiaries (Nesvetailova 2010: 35; Panitch and Gindin 2012: 315 give higher figures).

The decisions by the Fed (and the Bank of England, and so down the ladder) which institutions to sacrifice (such as Lehman Brothers) and which others to bail out, were in fact made by directly interested parties, as were generous loans at negligible rates of interest and with no special regulatory requirements (more than $2 trillion each to Citigroup and Morgan Stanley, Mirowski 2013: 185). Certainly as Laura Horn noted in the discussion at the Rosa Luxemburg Foundation seminar in September 2013, the state is never a neutral institution and therefore we should not use the term 'state capture' lightly. Yet it matters which capital fraction succeeds in gaining control of the key levers of state power. With Greenspan at the Fed from JP Morgan, Robert Rubin as Clinton's Treasury Secretary from Goldman Sachs and afterwards at Citigroup, and Bush's Treasury Secretary, Hank Paulson from Goldman Sachs, we may safely conclude that this time it is money-dealing capital that has captured the state.

This is not confined to the US either. In an article entitled 'What price the new democracy? Goldman Sachs conquers Europe', *The Independent* (18 November 2011) took the appointment of 'technocratic' prime ministers in Greece and Italy under EU pressure (Lukas Papademos and Mario Monti, respectively) as an occasion to highlight which other architects of Eurozone austerity also had links to Goldman Sachs—from Peter Sutherland in Ireland, Karel van Miert in Belgium, and Otmar Issing in Germany, to Petros Christodoulou in Greece and of course, Mario Draghi at the European Central Bank and the Portuguese economist, Antonio Borges, responsible for Europe at the IMF.

In the US, several top bankers had roles in the Federal Reserve system which they used for their home banks' benefit in the crisis of 2007-08 and the bailouts. Jamie Dimon, CEO of JP Morgan Chase, was a board member of the New York Fed when it engineered the takeover of Bear Stearns, subsidised with $30bn public money. NY

Fed president William Dudley, another Goldman Sachs veteran, was allowed to hold on to his AIG and GE investments whilst these companies were bailed out; eighteen other directors of regional Federal Reserve banks likewise received substantial funding for the banks which are their primary occupation (Mirowski 2013: 186; Gowan 2009: 9-10). All of it accompanied by 'the largest peacetime fiscal stimulus in US history as well as the monetary policy of "quantitative easing"' (Panitch and Gindin 2012: 302, cf. 306). This only completes what Anastasia Nesvetailova calls (2010: 59), 'a political and legal regime which has facilitated the privatisation of gains from financial risks at the cost of socialising their losses.' The sacrosanct neoclassical economic doctrine at the heart of the neoliberal concept of control meanwhile ensures that even those politicians who have no links to any bank, will still toe the line and resist 'temporary popular pressures'.

States in the process are being structurally weakened, effectively disabling their ability to resort to any measure of social protection again. Outstanding public debt of the US as a percentage of GDP rose from 71.8 in 2007 to 99.1 in 2012; of the Eurozone, from 72.6 to 107.6; the UK, 67.0 to 108.6, and Japan, 162.4 to 214.1 (OECD 2012). In all, global sovereign debt rose by 33 percent to almost $ 44 trillion between 2008 and 2011, which by itself obliges even advanced, creditworthy states to devote around 15 per cent of their annual budget to interest payments—e.g. in France, the second largest budget post (Giesen 2013: 110).

Bringing Money-Dealing Capital Under Control?

At the G20 summit in Washington DC, in November 2008, heads of state and government articulated the public indignation about speculative finance by solemnly announcing a profound reorganization of the global banking sector. But as Le Monde concluded in an editorial on 21 August 2010, almost two years after the collapse of Lehman Brothers, 'rather than building a new edifice, the political and monetary authorities of the Western countries have preferred to renovate the old to make it more solid'. Or in the words of Hutchinson (2013).

> The crash of 2008 seemed to put an end to the inexorable advance of financial services' share of the economy over the preceding quarter century. Yet in 2009-11 the financial sector rebounded, aided by ultra-low interest rates and a steep yield curve, locking in jumbo profits for even the doziest megabank.

This does not mean that differences between capital fractions have disappeared. Paul Volcker, who was among Obama's key financial advisers, apparently stuck to a comprehensive money capital perspective, articulating the general class interest instead of the money-dealing, speculative enrichment perspective. Volcker's distaste of pure money-dealing transpired in his role in the proposal to prohibit proprietary trading by deposit-taking banks, although he also conceded that a straightforward return to Glass-Steagall was no longer and option (Panitch and Gindin 2012: 322). On another occasion Volcker warned that with the US economy being kept afloat by an capital inflow of $2bn every working day, 'about 80 percent of the net flow of international capital' (quoted in Desai 2013: 248), it could not hope to survive on this life-support indefinitely. As Hutchinson writes (2013)

> the leverage bubble has gone about as far as it can. Leverage rates in the US and worldwide are at record levels, "stimulated" by all the cheap credit. Once interest

> rates start to return toward more normal levels so that it is no longer profitable to borrow money, the world will be forced into another painful round of de-leveraging, with government budgets forced towards balance, consumers pulling in their horns and overleveraged businesses going bankrupt.

This point of view has slowly been gaining ground, eating away at the apparent supremacy of money-dealing capital. On the one hand, the 2010 Dodd-Frank bank reform legislation in the US announced a trend towards re-regulation, however symbolic for the moment. Yet ‘the principal new risk, not yet reflected fully in reported profits, is that of legal aggression by regulators worldwide. Almost every day we hear of huge fines being levied on banks for trivial or incomprehensible offences’ (Hutchinson 2013). On the other hand. no new ‘instruments’ have appeared on the horizon to reverse the downward trend for the main players. Again to cite Hutchison,

> As an ex-practitioner, I keep a sharp eye out for new financial techniques, in the press and through the recruiting advertisements (which is where the big ones show up), but I have to say I have spotted nothing that is both significant and new since 2008. To the extent that the bull market is bringing an increase in financial sector aggressiveness, it is for example reviving techniques in structured collateralized default obligations that had apparently been discredited by the crash but are now returning to extract a few more billions of suckers’ money.

In 2013, after three years of negotiations, the ‘Volcker rule’, which seeks to protect the economy from the losses of banks ‘too big to fail’, was adopted over the protests of the Commodity Futures Trading Commission and the Securities and Exchange Commission. By banning proprietary trading and hedging at US financial institutions, the Volcker rule has provided a core element in the 2010 Dodd-Frank reform legislation. It is expected to provide protection against having to insure events like the $6.2 bn loss on speculative investment incurred by JP Morgan in 2012, the aforementioned ‘London Whale’ (*RussiaToday* 2013). Henceforth the likes of Goldman Sachs, JP Morgan Chase, Morgan Stanley, Citigroup, and Bank of America will have to report on such investments. Since the movement of money-dealing capital, ‘market-making’, by these banks brings them around $44 billion in revenue, the banks will obviously be concerned about this regulatory framework. This happens against the background of a decline in financial clout.

> It seemed that a bloated financial sector was a permanent part of the landscape, with legislators having done little to cut it down. Yet this year the financial sector has been in retreat, in terms of salaries, revenues and shareholder returns, with only the regulators reaping bonanzas from lawsuit after lawsuit (Hutchinson 2013).

That money-dealing finance is looking for protection elsewhere was already reflected in the meltdown of bank support for Obama in the re-election campaign of 2012. Whereas in 2008, banks had flocked to the Democratic candidate in an obvious quest to be bailed out, Dodd-Frank and the President’s support for it led to a walkout of bankers from his constituency as Table 1 illustrates.

Table 1. Investment Bank Support in the 2008 and '12 Presidential Elections

Obama 2008	*McCain 2008*	*Obama 2012*	*Romney 2012*
Goldman Sachs, $994,795 (#2)	Merrill Lynch. $373,595 (#1)	Wells Fargo $288,804 (#18, ½ Romney)	Goldman Sachs, $994,139 (#1)
Citigroup Inc, $701,290 (#6)	Citigroup Inc, $322,051 (#2, half what was donated to Obama)		Bank of America $921,839 (#2)
JPMorgan Chase & Co, $695,132 (#7)	Morgan Stanley, $273,452 (#3, ½ Obama)		Morgan Stanley $827,255 (#3)
UBS AG, $543,219 (#12)	Goldman Sachs, $230,095 (#4, 1/3 Obama)		JP Morgan Chase & Co., $792,147 (#4)
Morgan Stanley, $514,881 (#17)	JPMorgan Chase & Co, $228,107 (#5, 1/3 Obama)		Credit Suisse group $618,941 (#5)
	Wachovia Corp, $195,063 (#8)		Wells Fargo $598,379 (#6)
	UBS AG, $192,493 (#9, ½ Obama)		Citigroup Inc., $465,063 (#9)
			Barclays, $428,250 (#10)
			UBS AG, $400,390 (#12)

Source: (2008) http://aconservativeteacher.blogspot.nl/2010/05/top-donors-from-obamas-2008.html (accessed 29 Dec 2012); (2012) http://www.opensecrets.org/pres12/contrib.php?id (accessed 30 October 2012).

Since the Volcker Rule with its over 900 pages of detail will require quite a while before all the potential loopholes have been scrutinized by lawyers and the deadline for its application was extended to 2015, the initial response in terms of stock quotation was positive. The eight biggest US banks, according to an estimate by Standard & Poor's, are expected to lose as much as $10bn pre-tax profit due to the Volcker Rule, they will no doubt sue over the matter although they retain the right to hedge on government bonds, including mortgage bonds—which brought down the circuit of money-dealing commercial capital in 2008—as well as remaining active on commodity and foreign currency markets and owning foreign debt. Although bank CEOs have been made personally accountable, reserve requirements for their institutions have not been raised. ('Regulators are already attempting to force financial institutions to reduce their leverage, and are being resisted by the banks themselves. The regulators' efforts have so far been fairly unsuccessful because of the Basel regulations that allow banks to treat certain assets for capital allocation purposes at a tiny fraction of their true value, or, as in the case of government bonds, at no value at all', Hutchinson 2013).

Neither has the political arsenal of the capitalist class been dismantled. Under the terms of the currently negotiated Transatlantic Partnership, corporations and banks will even be able to directly sue governments for potential loss of profit resulting from regulation (Bizzari and Burton 2013: 21). Austerity, the asset-stripping of entire societies, thus becomes the downside of first, refuelling speculative money-dealing capital, and secondly, keeping social forces away from meddling with the struggle between mainstream money capital and money-dealing capital currently underway. In the circumstances neoliberalism becomes an overt political enterprise with a distinct authoritarian undertow (Bruff 2014). As financial and legitimacy deficits are increasingly covered by restricting the space for the articulation of protest other than the rise of ultra-right populist and neo-fascist parties, this may well result in a growing politicisation of neoliberalism and deepening instability.

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